ABSTRACT

A method and system for financial modeling to predict the amount of liquidity needed to support a portfolio of assets that is being financed in the commercial paper market, or any other market that is sensitive to the provision of liquidity. As the ability to access these markets is related to the rating of the assets, the model simulates rating movements over time and uses historical funding information of like assets to make estimates of future funding needs. Many aspects of the funding (draw) process are simulated (i.e., likelihood of draw, likelihood of continuing draw, and extent of draw amount). The result of the model is an estimate of reduced liquidity needs that is less than if the underlying assets were guaranteed individually, providing economic savings for the liquidity provider. A model is also described that predicts the required characteristics of a group of institutions jointly functioning as liquidity provider to the pool.